

RECOMMENDATIONS



DECEMBER 18, 2007



RECOMMENDATIONS ON FINANCING

No.	Recommendation	Source	Commission Action		
			Y	N	A
1	Conduct an operational and a governance review of the investments. <ul style="list-style-type: none"> –Use the Wilshire material as a model for areas of review –Review operation for implementation of best practices –An independent review of investments every three years by each system Amendment(s):	WG1			



RECOMMENDATIONS ON FINANCING

No.	Recommendation	Source	Commission Action		
			Y	N	A
2	Phase in to the full ARC over not more than a 10 year period. –Start with the 2008 contributions at the greater of the normal cost or the current year anticipated total contribution –Increase 1/10 th of the way in each subsequent year Amendment(s):	WG1			



RECOMMENDATIONS ON FINANCING

No.	Recommendation	Source	Commission Action		
			Y	N	A
3	<p>Pre-fund part of the phase in using bonds if viable.</p> <ul style="list-style-type: none"> –After repaying KTRS for funds borrowed, always place the proceeds first into the insurance funds, so their ARC has a higher probability of being met –Issue bonds only after a reexamination of current market conditions and risks –An attempt to fund the ARC should accompany any bond issuance. <p>Amendment(s):</p>	WG1			



RECOMMENDATIONS ON FINANCING

No.	Recommendation	Source	Commission Action		
			Y	N	A
4	Recommend that the appropriate entities examine the funding policy to be used by KRS in calculating employer contribution rates for member agencies. Amendment(s):	KLC			



RECOMMENDATIONS ON FINANCING

No.	Recommendation	Source	Commission Action		
			Y	N	A
5	Halt borrowing from the KTRS pension fund to pay for the cost of health insurance. Amendment(s):	WG1			



RECOMMENDATIONS ON PENSION BENEFITS

No.	Recommendation	Source	Commission Action		
			Y	N	A
6a.	The Kentucky General Assembly provide for COLAs based on the ability to pre-fund for same. Amendment(s):	WG2			



RECOMMENDATIONS ON PENSION BENEFITS

No.	Recommendation	Source	Commission Action		
			Y	N	A
6b.	<p>Completely eliminate COLA provision from current KERS, CERS, & SPRS Systems.</p> <ul style="list-style-type: none"> –Impacts both current active members and current retired members –Future increases would need positive GA action to pass ad hoc COLAs, & each one must be funded –By itself, does not reduce current DB contribution requirements but reduces how those costs will increase in the future <p>Amendment(s):</p>	GRS			



RECOMMENDATIONS ON PENSION BENEFITS

			Commission Action		
No.	Recommendation	Source	Y	N	A
7b.	The Legislature study strategies designed to extend the years of service for KERS, CERS, and SPRS including but not limited to: Amendment(s):	WG2 through GRS			



7.b. Creating a lower-cost benefit tier for future New Entrants to KERS, CERS, and SPRS.

Provision (1)	KERS & CERS Non-Hazardous (2)	Hazardous & SPRS (3)	Vote		
			Y	N	A
Benefit Multiplier	1.75%	2.0%			
Unreduced Retirement	65 & 5 or Rule of 85 w/ age 55 minimum	25 & out w/ Age 50 minimum			
Reduced Retirement	55 & 5	50 & 15 (Same as current New Entrants)			
Reduction for reduced Retirement	6.0% per year early	6.0% per year early			
New Entrant Employees to be covered	Same as current New Entrants plus future New Entrants who do not qualify for new SPRS or Hazardous	Future New Entrants who actually perform duties as police officers or fire fighters			
Components of Compensation	Excludes Unused Sick Leave payments and any lump sum payments or other terminal pay	Excludes Unused Sick Leave payments and any lump sum payments or other terminal pay			



7.b. Create a lower-cost benefit tier for future New Entrants to KERS, CERS, and SPRS.

Provision (1)	KERS & CERS Non-Hazardous (2)	Hazardous & SPRS (3)	Vote		
			Y	N	A
Final Average Pay (FAE)	5-year average (Same as current New Entrants)	5-year average			
Method for FAE Calculation	Sum of compensation for highest 5 consecutive Plan (or Calendar) Years out of last 10 Plan (or Calendar) Years worked, divided by 5 for annual FAE	Sum of compensation for highest 5 consecutive Plan (or Calendar) Years out of last 10 Plan (or Calendar) Years worked, divided by 5 for annual FAE			
COLAs	None promised. All would be funded ad hocs	None promised. All would be funded ad hocs			
Employee Contribution Rate	6% of pay + 1% for retiree med	9% of pay + 1% for retiree med			
Interest on Employee Contribution Account	2.5%, set by Board (but none on 1% retiree med contribution)	2.5%, set by Board (but none on 1% retiree med contribution)			
Pre-retirement death benefit provisions	Same eligibility & amount as what current new hires have	Same eligibility & amount as what current new hires have			
Post-retirement lump sum death benefit	Same as what current new hires have	Same as what current new hires have			



7.b. Create a lower-cost benefit tier for future New Entrants to KERS, CERS, and SPRS.

Provision (1)	KERS & CERS Non-Hazardous (2)	Hazardous & SPRS (3)	Vote		
			Y	N	A
Disability benefit provisions	Same eligibility & amount as what current new hires have	Same eligibility & amount as what current new hires have			
Unused Sick Leave	Excluded from all calculations and eligibility features	Excluded from all calculations and eligibility features			
Service Purchase	Full actuarial cost (including assumed future pay increases, earliest unreduced retirement date, and any automatic COLA); excluded from all eligibility requirements	Full actuarial cost (including assumed future pay increases, earliest unreduced retirement date, and any automatic COLA); excluded from all eligibility requirements			
Eligibility for Retiree Medical	Access-only if reduced retirement. Any applicable subsidy if unreduced retirement. None if a vested terminated participant beginning benefit at eligible retirement age.	Access-only if reduced retirement. Any applicable subsidy if unreduced retirement. None if a vested terminated participant beginning benefit at eligible retirement age.			



7.b. Create a lower-cost benefit tier for future New Entrants to KERS, CERS, and SPRS.

Provision (1)	KERS & CERS Non-Hazardous (2)	Hazardous & SPRS (3)	Vote		
			Y	N	A
Return To Work After Retirement (RTW)	After 12 months regardless of participating KRS,CERS, SPRS or KTRS employer or position, and regardless of whether full-time or part-time. No additional benefit earned. Employer contributes its applicable rates on RTW retirees' pay.	After 12 months regardless of participating KRS,CERS, SPRS or KTRS employer or position, and regardless of whether full-time or part-time. No additional benefit earned. Employer contributes its applicable rates on RTW retirees' pay.			
Rehire After Prior Termination	Enters New Entrant tier	Enters New Entrant tier			



RECOMMENDATIONS ON HEALTH BENEFITS

No.	Recommendation	Source	Commission Action		
			Y	N	A
8	Leverage current PPO platform into a Hi, Medium, Low option plan. <ul style="list-style-type: none"> –Greater differential between the Enhanced and Premier plans –Adjust contribution for greater steerage Amendment(s):	WG3			



RECOMMENDATIONS ON HEALTH BENEFITS

No.	Recommendation	Source	Commission Action		
			Y	N	A
9	Collapse Enhanced & Premier plan into one plan. –Position at 1.01 to 1.04 in relation to 1994 plan Bring Essential plan up to .85 to .90 Adjust contribution for greater steerage Amendment(s):	WG3			



RECOMMENDATIONS ON HEALTH BENEFITS

No.	Recommendation	Source	Commission Action		
			Y	N	A
10	Implement a “spousal surcharge.” –Addresses spouses that are eligible for benefits at their employer Amendment(s):	WG3			



RECOMMENDATIONS ON HEALTH BENEFITS

			Commission Action		
No.	Recommendation	Source	Y	N	A
11	Refine Employer and Employee cost share calibration. Amendment(s):	WG3			



RECOMMENDATIONS ON HEALTH BENEFITS

			Commission Action		
No.	Recommendation	Source	Y	N	A
12	Further evaluate the cross-reference benefit employee/employer cost sharing. Amendment(s):	WG3			



RECOMMENDATIONS ON HEALTH BENEFITS

No.	Recommendation	Source	Commission Action		
			Y	N	A
13	Freeze dependent subsidy amount at 2008 levels. Amendment(s):	WG3			



RECOMMENDATIONS ON HEALTH BENEFITS

			Commission Action		
No.	Recommendation	Source	Y	N	A
15	Require participation of employees with “high cost” conditions in “care/disease management” programs. Amendment(s):	WG3			



RECOMMENDATIONS ON HEALTH BENEFITS

No.	Recommendation	Source	Commission Action		
			Y	N	A
16	Explore the feasibility of separating CERS local government retirees from the Kentucky Employee Health Plan and providing them appropriate coverage. Amendment(s):	KLC			



RECOMMENDATIONS ON HEALTH BENEFITS

No.	Recommendation	Source	Commission Action		
			Y	N	A
17	As state employees, consider whether part-time school board workers now in CERS should be transferred to KERS and retain retiree health insurance coverage through the Kentucky Employees Health Plan and review the impact of unescorted retirees. Amendment(s):	KLC			



RECOMMENDATIONS ON HEALTH BENEFITS

No.	Recommendation	Source	Commission Action		
			Y	N	A
20	Audit claim administrator every 12 to 24 months. Amendment(s):	WG3			



RECOMMENDATIONS ON HEALTH BENEFITS

No.	Recommendation	Source	Commission Action		
			Y	N	A
21	Audit PBM every 12 to 24 months. –Not the same as a claim audit, this has a clinical component to it Amendment(s):	WG3			



RECOMMENDATIONS ON HEALTH BENEFITS

No.	Recommendation	Source	Commission Action		
			Y	N	A
22	Conduct a dependent audit every 3 to 5 years. –Identifies ineligible dependents currently on the plans Amendment(s):	WG3			



RECOMMENDATIONS ON HEALTH BENEFITS

			Commission Action		
No.	Recommendation	Source	Y	N	A
23	Explore the possibility of creating a statewide provider network. Amendment(s):	WG3			



RECOMMENDATIONS ON HEALTH BENEFITS

No.	Recommendation	Source	Commission Action		
			Y	N	A
24	Clarify the “Kentucky Kare Standard” language in KRS 18A. Amendment(s):	WG3			



RECOMMENDATIONS ON PLAN GOVERNANCE

No.	Recommendation	Source	Commission Action		
			Y	N	A
25	Create a Consensus Pension Benefit Review Group comprised of persons with specific pension and investment management experience to review and sign-off on any benefit enhancement proposal before it can be considered by the General Assembly. Amendment(s):	WG2			



RECOMMENDATIONS ON PLAN GOVERNANCE

No.	Recommendation	Source	Commission Action		
			Y	N	A
26	<p>Require an actuarial analysis before any proposed pension benefit change may be considered by the Consensus Pension Benefit Review Group (if adopted) or a Legislative Committee or Body.</p> <p>Amendment(s):</p>	WG2			



RECOMMENDATIONS ON PLAN GOVERNANCE

No.	Recommendation	Source	Commission Action		
			Y	N	A
27	<p>Given the purported breadth of Kentucky’s “inviolable contract”, require any proposed pension benefit enhancement to be introduced and considered in not less than two sessions of the Kentucky General Assembly before it can be enacted and become law.</p> <p>Amendment(s):</p>	WG2			



RECOMMENDATIONS ON PLAN GOVERNANCE

			Commission Action		
No.	Recommendation	Source	Y	N	A
28	Require that two Governor appointed member positions of the KRS Board have extensive professional investment or other pension experience. Amendment(s):	WG2			



RECOMMENDATIONS ON PLAN GOVERNANCE

No.	Recommendation	Source	Commission Action		
			Y	N	A
29	Recommend a current Governor appointed member position be a local government administrative representative to the KRS Board. Amendment(s):	KLC			



RECOMMENDATIONS ON PLAN GOVERNANCE

No.	Recommendation	Source	Commission Action		
			Y	N	A
30	Require investment and fiduciary training for all Board members of all pension systems. Amendment(s):	WG2			